

Economic Development Corporation of the City of River Rouge, Michigan

Financial Report
June 30, 2003

Economic Development Corporation of the City of River Rouge, Michigan

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation
of the City of River Rouge, Michigan

We have audited the general purpose financial statements of the City of River Rouge, Michigan for the year ended June 30, 2003 and have issued our report thereon dated November 14, 2003, which expressed an adverse opinion due to the omission of the government-wide statements and the full accrual data for the combining statements of the discretely presented component units; the omission of general infrastructure assets and accumulated depreciation on general fixed assets; and the presentation of its governmental funds, proprietary funds, and fiduciary funds. Those general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements. The accompanying general purpose financial statements of the Economic Development Corporation of the City of River Rouge, Michigan are presented for the purpose of additional analysis and are not a required part of the City of River Rouge, Michigan's general purpose financial statements. The information presented has been subjected to the auditing procedures applied in the audit of the general purpose financial statements.

The accompanying general purpose financial statements of the Economic Development Corporation present only the modified accrual data of the Corporation. Accounting principles generally accepted in the United States of America require the additional presentation of full accrual data in these financial statements.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the general purpose financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of River Rouge, Michigan's Economic Development Corporation as of June 30, 2003 or the changes in its financial position for the year then ended.



To the Board of Directors
Economic Development Corporation
of the City of River Rouge, Michigan

The accompanying financial statements also do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the financial statements.

Plante & Moran, PLLC

November 14, 2003

Economic Development Corporation of the City of River Rouge, Michigan

Combined Balance Sheet Operating Fund and Account Group June 30, 2003

	Operating Fund	General Long-term Debt Account Group
Assets		
Cash and cash equivalents (Note 2)	\$ 113,541	\$ -
Loans receivable - Net of allowance of \$5,161 (Note 3)	10,131	-
Real estate inventory (Note 1)	215,000	-
Amount to be provided for long-term debt	-	127,706
Due from City of River Rouge	45,574	-
Total assets	<u>\$ 384,246</u>	<u>\$ 127,706</u>
Liabilities and Fund Balance		
Liabilities		
Security deposits	\$ 7,473	\$ -
Long-term debt (Note 4)	-	127,706
Total liabilities	7,473	127,706
Fund Balance		
Reserved:		
Long-term receivable	7,468	-
Real estate inventory	215,000	-
Unreserved	154,305	-
Total fund balance	<u>376,773</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 384,246</u>	<u>\$ 127,706</u>

Economic Development Corporation of the City of River Rouge, Michigan

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2003

Revenue	
Rental income	\$ 193,694
Sprint Tower rental income	17,940
Sale of asset	18,754
Interest	8,018
Miscellaneous revenue	<u>26,083</u>
Total revenue	264,489
Expenditures	
Project expenses	29,262
National Steel settlement	9,058
Rental expenses	220,009
Debt service	<u>35,003</u>
Total expenditures	<u>293,332</u>
Excess of Expenditures Over Revenue	(28,843)
Other Financing Sources - Operating transfers from City of River Rouge	<u>68,631</u>
Excess of Revenue and Other Financing Sources Over Expenditures	39,788
Fund Balance - July 1, 2002	<u>336,985</u>
Fund Balance - June 30, 2003	<u><u>\$ 376,773</u></u>

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2003**

Note I - Significant Accounting Policies

The Economic Development Corporation of the City of River Rouge, Michigan (the "Corporation") is organized pursuant to the State of Michigan, Public Act No. 338 of 1974, as amended, and to a City of River Rouge resolution. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the issuance of limited obligation revenue bonds by the Corporation. The Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefited enterprise agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds.

The accounting policies of the Corporation do not conform to generally accepted accounting principles as applicable to governmental units. The Corporation has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the financial statements exclude the management's discussion and analysis, and furthermore, the Corporation has continued to report information by account group and has excluded accumulated depreciation on general fixed assets.

The Corporation is a discretely presented component unit of the City of River Rouge and is included in the general purpose financial statements of the City of River Rouge at June 30, 2003.

Fund Accounting

The accounts of the Corporation are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The fund of the Corporation consists solely of a governmental fund type.

Basis of Accounting

The Corporation utilizes the modified accrual method of accounting. Modifications in such method from the accrual basis are as follows:

- a. Noncurrent receivables, such as long-term loans, are recorded at full value and fund balance is reserved for the portion not available for use to finance operations as of year end.

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2003**

Note 1 - Significant Accounting Policies (Continued)

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Real Estate Inventory - Real estate inventory in the Operating Fund is held for resale and is valued at the lower of cost or market.

Long-term Liabilities - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental fund. The General Long-term Debt Account Group is not a fund and does not involve the measurement of results of operations.

Note 2 - Cash and Cash Equivalents

The Corporation's cash and cash equivalents at June 30, 2003 are composed solely of bank deposits. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$114,000, which was fully covered by federal depository insurance.

Note 3 - Loans Receivable

At June 30, 2003, loans receivable consist of several loans issued by the Economic Development Corporation of the City of River Rouge, Michigan to finance various community development projects. These loans bear interest ranging from 5 percent to 7.5 percent and are receivable in total monthly principal and interest installments of approximately \$700 through January 2007. The current and long-term portions of this receivable are \$7,824 and \$7,468, respectively.

Economic Development Corporation of the City of River Rouge, Michigan

Notes to Financial Statements June 30, 2003

Note 4 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Economic Development Corporation at June 30, 2003:

General Obligation Bonds	Balance July 1, 2002	Additions	Debt Retired	Balance June 30, 2003
Mortgage loan, issued in the amount of \$130,000. Payments of \$1,417, including interest at 10.25 percent, are due monthly, beginning March 15, 2000, with a final balloon payment due on February 15, 2005	\$ 120,791	\$ -	\$ (4,667)	\$ 116,124
Land contract agreement, issued in the amount of \$60,301. Payments of \$1,500, including interest at 8 percent, are due monthly, beginning on April 15, 2000, with a final payment due on February 15, 2004	27,938	-	(16,356)	11,582
Total long-term debt	<u>\$ 148,729</u>	<u>\$ -</u>	<u>\$ (21,023)</u>	<u>\$ 127,706</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2003, including both principal and interest, are as follows:

Years Ending June 30	Amount
2004	\$ 29,003
2005	<u>118,611</u>
Total	<u><u>\$ 147,614</u></u>

Interest

Total interest incurred for the Economic Development Corporation for the year approximated \$14,000.

Economic Development Corporation of the City of River Rouge, Michigan

Notes to Financial Statements June 30, 2003

Note 5 - Risk Management

The Corporation is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Corporation has purchased commercial insurance for property loss claims and was uninsured for general liability claims from June 30, 1991 to December 31, 1995. From December 1995 through November 2001, the Corporation participated in the Michigan Municipal League risk pool for both property loss and general liability claims.

On December 1, 2001, the Corporation joined the Michigan Municipal Risk Management Authority. This risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Corporation.

The Corporation estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates related to the City are recorded in the general purpose financial statements at June 30, 2003. Total estimated liabilities and claims paid by the Corporation were insignificant for the year ended June 30, 2003.